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International Ethics Standards Board for Accountants
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Dear Ken

Chartered Accountants Ireland (‘the Institute’) welcomes the opportunity to respond to the IESBA Consultation on Collective Investment Vehicles and Pension Funds – Auditor Independence.

The Institute is a professional accountancy body representing over 39,000 Chartered Accountants in over 100 countries and 7,000 students. Our role is to educate, represent and support our members and students, and to promote high quality professional and ethical standards in the accountancy profession, and support actions that protect the public interest. The Institute also has various regulatory obligations under legislation in Ireland and the United Kingdom, has a regulatory oversight function, including audit supervision, and monitors compliance with our Code of Ethics.

Our members are committed to acting in the public interest and adhering to our Code of Ethics, which is aligned with the IESBA Code of Ethics. They provide leadership across the public and private sectors, and in some cases society, bringing trusted expertise, competent technical, legal and regulatory knowledge, and relevant experience to all areas of the economy. Many of our members are active in corporate governance across industry, public practice, and the public sector.

Our response to the consultation questions, set out in detail in **Appendix I**, has been informed by input from members working in the investment funds and pensions industry. These include senior finance, risk and compliance members in business working within the industry, as well as experienced members in public practice who provide statutory audit services to the industry. All contributors possess a strong understanding of the Irish investment funds and pensions landscape and are well-versed in the legal, regulatory, and professional standards that govern the sector. Many of them are also familiar with the US Securities and Exchange Commission (SEC) regulatory environment and its independence rules.

We do not see any issues which supports any need to change the current requirements around independence when auditing CIVs/pension funds. We do not see any matters which support changes in the



public interest and believe changes being addressed in the consultation on balance would adversely affect the Public Interest.

Our response outlines the following key points:

- The existing IESBA Code, as a principles-based Code, already provides a framework that professional accountants consistently apply in practice. It has proven effective in safeguarding auditor independence while allowing for professional judgment and adaptability across diverse market contexts. We believe that this framework continues to serve the public interest well and caution against introducing prescriptive measures, rather than principles (which form the foundations of the current Code) that may undermine its flexibility and proportionality.
- The proposals address a niche section of the financial services industry where there is no evidence of a financial failure as a result of auditor independence issues and could lead to unintended consequences or additional complexities for practitioners applying the Code, and the market's ability to source independent audit services, as further explained in the answer to Question 1.
- The proposed revisions may significantly restrict the pool of eligible auditors, especially in smaller jurisdictions, as further explained in the answer to Question 1 below.
- The proposed revisions will increase compliance costs as further explained in the answer to Question 1 below.
- We suggest a fact-based impact analysis be performed to support the need for the project and to understand the economic impact on investors and pensioners. In our view this analysis should consider the cost of implementation and the likely restriction of auditor choice that funds and other impacted companies will face, which could potentially impact audit quality. However, we do have concerns about the inclusion of requirements for a niche industry in a principles-based Code with general application.

We do not agree with the need for, and do not support the proposals to expand definitions or make changes to the auditor's independence assessment set out in the Code. We consider the IESBA Code of Ethics to be a robust and comprehensive framework. The potential issues the proposals intend to address are largely theoretical and affect a very narrow application of the Code.

Within the European Union, the profession is already subject to a complex and well-established regulatory environment that has consistently supported the integrity and effectiveness of the industry. There is no evidence of systemic failure or unmet need that would justify changes to the IESBA Code of Ethics. In this context, we believe the existing framework continues to serve its purpose effectively. To assist your



understanding of the funds industry in Ireland, we have set out a summary of its background in **Appendix II**.

We hope the IESBA finds our feedback helpful, and if you have any questions or would like to discuss any of the points we have raised, please do not hesitate to contact me, our Head of Ethics and Governance at niall.fitzgerald@charteredaccountants.ie, or our Technical Manager and secretary to the Audit and Assurance Technical Committee at Anne.Sykes@charteredaccountants.ie.

Yours Sincerely,

Cróna Clohisey

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Director of Members and Advocacy

Chartered Accountants Ireland



Appendix I – Response to Consultation Questions

Question 1 - Does the Code's definition of related entity capture all relevant parties that need to be included in the auditor's independence assessment when auditing CIVs/pension funds?

The definition of related entities is long established and widely understood. It relies on concepts of control and significant influence which are clearly defined in financial reporting frameworks and corporate legislation in most jurisdictions.

The funds industry, unlike corporate entities, relies on outsourced service providers to operate. The service providers are usually unrelated parties so the administrator, the custodian and the investment manager will not normally be related parties. Thus, while in continental Europe the administrator, custodian, and the investment manager are usually part of the same corporate group, in Ireland and the UK the administrator and investment manager are not normally in the same corporate group but rather are unrelated parties. Instead, each party will provide services in accordance with a contract and will usually be capable of being removed by the CIV/pension scheme by the giving of notice without cause.

Legislation and regulation in Europe govern the operation of funds available to the public, so that the fund is required to issue a prospectus. That prospectus sets out the governance arrangements for the fund, as well as the range of investments that the fund may invest in and the risk profile. The range of investments limits the powers of the investment manager to investing in that type of entity and governs the risk profile.

Further protections for investors are enshrined in Irish company law establishing requirements to have an independent board of directors and providing voting rights linked to the number of shares or units held. Company law requires the board of directors to meet regularly and gives the board meaningful oversight of the investment manager and the service providers to the fund.

The consistent application of the definition of related entities ensures that the auditor of the CIV/Pension fund is independent of any parties with control or significant influence over the fund. The current definition is sufficiently broad. It should be noted that CIV and pensions funds are not the only types of entity that operate under a series of outsourced service provider arrangements. There are other industries where this may be a typical operational arrangement. For example, in Ireland, other entities in other industries such as Owners Management Companies (OMC) typically employ a range of external service providers, e.g. for property maintenance, property management, etc. The current Code sufficiently addresses the



considerations required for this industry, as it does for the CIV and Pensions fund industry. We believe the strength and effectiveness of its Code is the ability to apply its principles and requirements in the context of professional accountants working in or providing services to many sectors and industries. There is no evidence to suggest that the current Code's conceptual framework does not sufficiently address the required considerations for auditor independence for CIV and pension funds.

While not all CIVs and Pension funds are considered Public Interest Entities (PIEs), for those that are classified as PIEs (applying EU PIE criteria) there is the additional consideration of the impact of the proposals on the audited entity (i.e. the PIE) and the audit firms that must comply with both the IESBA Code and EU Audit Regulations. The audit firm has to be independent of the audited entity under both requirements. Given that the EU PIE rules require the board of the audited entity to obtain two credible tenders when appointing an auditor further to the mandatory firm rotation requirements (Article 16 (2) of Regulation (EU) No 537/2014), situations may arise whereby the incumbent audit firm cannot tender and where other available audit firms in the marketplace are not independent of the audited entity. Any proposal to extend the parties that the audit firm has to be independent of would have the unintended consequences by further restricting the entity's ability to source an audit firm that would be in a position to tender.

Furthermore, given that no definition of CIV/Pension funds is provided in the proposals and as there are many different structures available in the market, it is difficult to ascertain what is in scope for the proposals. For example, is it intended to cover only Defined Contribution and Defined Benefit schemes or other pension funds? Or has there been any consideration of the fact that local regulators may already define connected parties?

Question 2 - Do you believe the criteria set out above are appropriate and sufficient to capture Connected Parties that should be considered in relation to the assessment of auditor independence with respect to the audit of a CIV/pension fund?

We believe that the proper application of the existing conceptual framework is sufficient to address any threats to independence arising from relationships with connected parties. The existing Code is clear in both its definition of 'audit clients and related entities' and the concept of 'control' is fundamental when making an assessment of any entities that would be relevant to consider for independence purposes.

The introduction of further criteria into the IESBA Code to define a 'connected party' specifically for the purpose of an audit of a CIV or pension fund does not seem necessary. In the absence of any clear scope or definition of what constitutes a CIV or pension fund for the purposes of this consultation, it is also difficult to make an assessment of the sufficiency and appropriateness of the proposed criteria. In the



context of investment fund vehicles, there are significant differences in how investment funds are structured across jurisdictions. We believe that the diversity in regulatory environments, legal structures and market practices will make it very difficult for IESBA to establish any form of global solution in this very complex area.

The proposed criteria may not reflect the regulatory environments in other jurisdictions, as many regulators may use different concepts, criteria, and definitions to capture connected parties in the context of audits of a CIV or pension fund.

In Ireland, we have the concept of ‘affiliates’ in the IAASA Ethical Standard which aligns to the ‘related entity’ concept in the IESBA Code. The IAASA Ethical Standard further defines an entity’s ‘connected parties’ as being:

- a) *Its affiliates;*
- b) *Key members of management of management (including but not limited to directors and those charged with governance) of the entity and its significant affiliates, individually or collectively; and*
- c) *Any person or entity with an ability to influence (other than in the capacity of professional advisors), whether directly or indirectly, key members of management or those charged with governance of the entity and its significant affiliates, individually or collectively, in relation to their responsibility for or approach to any matter or judgment that is material to the entity's financial statements or other subject matter information or subject matter.*

The existing rules in the Code already require an audit firm to assess any non-assurance services for potential or perceived threats to independence regardless of what entity they are provided to. Our response to Question 3 references the existing requirements of the Code that require professional accountants to look beyond the immediate audit client. For example, non-assurance services provided to an investment management service provider (such as an IT consultancy engagement) that creates a self-review or self-interest threat for the provision of audit services to a fund is already captured and considered in applying existing Code requirements.

The introduction of additional criteria and the broadening of certain definitions proposed by in the Consultation Paper will make the current requirements unnecessarily complex and introduce ambiguity between the Code and regulatory frameworks applying to this niche industry across global jurisdictions. The current key independence considerations required by the Code are fit for purpose for this context. Additional requirements in the Code would significantly increase compliance costs for audited entities and their beneficiaries, e.g., individuals investing for their retirement, and have a negative impact on their ability



to source a suitable audit provider. In our view, this would present a public interest concern, contrary to the objectives of the IESBA.

Question 3 - Where there are such Connected Parties, do you believe that the application of the conceptual framework in Section 120 of the Code is sufficiently clear as to how to identify, evaluate and address threats to independence resulting from interests, relationships, or circumstances between the auditor of the CIV/pension fund and the Connected Parties?

If not, do you believe the application of the conceptual framework in the Code as applicable to Connected Parties associated with Investment Schemes warrants additional clarification?

We believe the application of the conceptual framework in Section 120 of the Code is sufficiently clear to identify, evaluate and address threats to independence resulting from interests, relationships, or circumstances between the auditor of the CIV/pension fund and the Connected Parties. An effective framework needs to be sufficiently broad to identify, evaluate and address threats across many industries, organisational structures, and governance frameworks, and we believe that the current principles-based framework is sufficiently broad and does not warrant additional clarification.

Further, even though the Code does not specifically address the application of the conceptual framework in the context of CIVs or pension funds (in the same way that it does not address in any detail other industry or market scenarios), we believe that Section 120 of the IESBA Code of Ethics offers a comprehensive and flexible framework that enables auditors to uphold independence while effectively identifying, evaluating, and addressing threats, including those related to the audits of CIV and pension funds. If the auditor identifies circumstances that create threats that cannot be eliminated, then the firm shall not accept the engagement.

The IESBA Code requires professional accountants to look beyond the immediate audit client which, if adequately addressed, addresses many of the concerns raised in the consultation paper. This includes the requirement to:

- apply an inquiring mind and sound professional judgment,
- consider the view of the reasonable and informed third party,
- use their professional judgement in assessing each situation,
- apply safeguards as needed; and
- where appropriate do not accept or resign from an engagement.



Part 4A, particularly paragraphs R400.18–R400.19 and R400.27, makes it clear that auditors must consider not just the audit client but also related entities, and any other relationships or circumstances that may pose threats to independence. Section 120 (R120.7–R120.10) provides for judgment in identifying such threats, even if not explicitly covered by defined terms like "related entity." These requirements are further reinforced in the International Standard on Quality Management 1 (ISQM 1) which mandates all firms performing audit or reviews of financial statements to design, implement and operate a formal system of quality management in all such engagements. A key component of ISQM 1 is the independence requirements which feature prominently as part of 'relevant ethical requirements', while also addressed in other parts of the standard.

Questions 4 - Do you believe that the conceptual framework in Section 120 of the Code is consistently applied in practice with respect to the assessment of auditor independence in relation to Connected Parties when auditing a CIV/pension fund?

As part of their independence assessments, audit firms consider key indicators of control and influence in relation to Related Entities. Specifically, they assess voting rights and ownership thresholds, taking into account situations where there is control (i.e., greater than 50% of voting rights) as well as those where there may be significant influence (i.e., ownership or rights exceeding 20%). These assessments are conducted with a focus on determining whether such relationships could give rise to threats to independence and, where necessary, applying appropriate safeguards.

As such, Chartered Accountants Ireland considers that the existing approach provides a sound and effective basis for maintaining auditor independence in the context of CIVs and pension funds.

Question 5 - Are there certain interests, relationships, or circumstances between the auditor of a CIV/pension fund and its Connected Parties that should be addressed?

We believe that the current framework covers a broad range of the types of relationships and interests that can arise. Although the framework does not provide industry specific examples, in this context, for CIVs and pension funds, professional accountants with relevant industry knowledge and experience can easily apply these principles using their professional judgements.



Question 6 - Does your jurisdiction have requirements or guidance specific to audits of CIVs/pension funds from an auditor independence perspective? If yes, are those requirements included in audit-specific or CIV-specific regulation?

While there are no Irish requirements or guidance specific to audits of CIVs and pension funds from an auditor independence perspective, the European Contact Group (represents the six largest international professional services networks in Europe: BDO, Deloitte, EY, Grant Thornton, KPMG and PwC) provides guidance for Public Interest Entities (PIEs), (including funds) in the comprehensive ECG FAQs, because although the legislation is final, the language is unclear in many places.

In addition, the Central Bank of Ireland (CBI), has a robust legal and regulatory framework that applies to Irish collective investment schemes and pension funds. The regulatory framework includes detailed governance and risk management requirements for fund structures and the use of third-party service providers. The regulatory framework in Ireland also includes Regulation (EU) No. 537/2014 on statutory audit and the Irish Auditing and Accounting Supervisory Authority's (IAASA) Ethical Standard for Auditors, both of which impose rigorous independence requirements, including those concerning affiliates and connected parties.

Pension funds are managed on behalf of pension schemes and the EU's Institutions for Occupational Retirement Provision II (IORP II) applies in Ireland. As a regulator, the Irish Pensions Authority has a statutory duty to supervise Irish Pension Schemes, to ensure they are IORP II compliant. This involves ensuring robust governance procedures are in place, including effective risk management, monitoring of investment management, scheme administration, managing conflicts of interest, reporting and ensuring the independence of the external auditor.

More broadly, Irish companies are also subject to the Companies Act 2014, which imposes core governance duties on directors and boards, including oversight of financial reporting and auditor independence. These requirements complement the ethical and independence obligations placed on auditors. As such, the regulatory ecosystem in Ireland already provides strong safeguards against undue influence or conflicts of interest in the audit of CIVs and pension funds. Any changes to the Code would need to take account of this existing structure to avoid duplication, misalignment, or unintended regulatory conflict.

It is also important to recognise that a proportion of investment funds serviced in Ireland are not Irish-domiciled, including EU-domiciled funds (e.g. Luxembourg) and US funds. These funds may be structured



and governed under the laws of their home jurisdiction while availing of Irish-based administration, custody, management company, and other professional services. In such cases, the appointment and oversight of the auditor remain subject to the governance and legal framework of the fund's domicile, not Irish law. This reinforces the need for the Code to remain principles-based and globally operable, avoiding prescriptive definitions or requirements that may conflict with or duplicate rules already in force in the fund's home jurisdiction.



Appendix II - Background to the funds industry in Ireland

Ireland is a leading global hub for the funds and asset management industry, with a strong reputation for trust and regulatory compliance with the EU. Ireland ranks as the third largest fund domicile in the world¹. The industry is supported by a robust ecosystem that includes fund administrators, custodians, legal and tax advisors, and audit firms. Ireland's legal framework for funds is shaped by both EU directives (for example the Undertakings for Collective Investment in Transferable Securities Directive ("UCITS") and the Alternative Investment Fund Managers Directive ("AIFMD")) and domestic legislation. The governance of Ireland's funds industry is anchored in a robust, transparent, and internationally respected regulatory framework. At the heart of this system is the Central Bank of Ireland, which plays a dual role as both regulator and supervisor of the sector.

The funds and asset management industry here has a structure which includes those charged with governance, including boards of directors, charged with the requirement to assess independence of their statutory auditors. In many cases audit committees have a statutory, or fiduciary, duty to assess auditor independence, and board directors have legal duties to act in the best interests of the entity, avoid conflicts of interest, and exercise their oversight role to identify and mitigate risks faced by the entity.

Based on consultation with our members who are subject matter experts in this field audit firms operating within the Irish funds industry demonstrate a strong understanding of the principles-based approach embedded in the Code and apply appropriate professional judgement when considering the requirement to identify, evaluate, and address threats to independence. In our experience, firms apply this framework consistently and in a manner that appropriately reflects a reasonable and informed third party view.

Number of Collective investment schemes:	4,877 ²
Total number of Irish serviced funds:	11,891
Total net assets under management (AUM):	US\$ 6.5 trillion

¹ EFAMA International Quarterly Statistics March 2025

² Source Monterey Ireland Fund Report 2024 <https://www.montereyinsight.com/ireland>



The role of the board must also be considered. The boards of CIVs, funds, and pension scheme trustees play a critical role in evaluating the independence of their auditors and providers of non-audit services. As part of both the tendering and appointment processes, as well as the ongoing annual review, the board is obligated to assess auditor independence and to engage with auditors regarding their compliance with applicable independence standards.

Pensions market in Ireland

Ireland's pensions industry is strongly regulated by the Irish Pensions Authority and follows European Union requirements, e.g. the Institutions for Occupational Retirement Provision Directive II (IORP II), which mandates:

- Risk-based supervision
- Enhanced governance and internal controls
- Clear communication with members

Total Pension Fund Assets: €146 billion (Q4 2024)³

³ Source <https://www.centralbank.ie/statistics/data-and-analysis/pension-fund-statistics>